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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of

Treatment of Operator Services  
Under Price Cap Regulation

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CC Docket No. 93-124

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COMMENTS

OF

THE SOUTHERN NEW ENGLAND TELEPHONE COMPANY

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The Southern New England Telephone Company (SNET) respectfully submits its Comments pursuant to the Federal Communication Commission's (Commission's) Notice of Proposed Rulemaking, (NPRM) released May 26, 1993.<sup>1</sup>

In the NPRM, the Commission proposes to establish a new category in the price cap basket for traffic sensitive switched interstate access elements (Traffic Sensitive Basket) to include the rates set by local exchange carriers (LECs) for operator services.<sup>2</sup> In these Comments, SNET suggests an alternative which will limit, but not eliminate, LEC pricing flexibility without establishing the burdensome and unnecessary creation of a new service category.

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<sup>1</sup> In the Matter of Treatment of Operator Services Under Price Cap Regulation, CC Docket No.93-124, Notice of Proposed Rulemaking, FCC 93-303, released May 26, 1993 (NPRM).

<sup>2</sup> NPRM at page 1.

**1. A new category is unwarranted and inconsistent with the goals of price cap regulation.**

One of SNET's primary reasons for electing price cap regulation was the promise of additional pricing flexibility. Indeed, the goal of price cap regulation was to enhance pricing efficiency by employing a system of baskets and bands, which would limit, but not eliminate, LEC pricing efficiency.<sup>3</sup> By proposing an entirely separate new service category for these relatively minor operator service rate elements, the Commission continues a distressing trend to progressively reduce even that limited degree of pricing flexibility. Since SNET elected price cap regulation, the Commission has already established four new service categories in the Traffic Sensitive Basket, and has proposed yet another category for the recently mandated Billing Name and Address tariff element.

Beside thwarting the goal of improved LEC pricing efficiency, each new category imposes administrative costs on both the Commission and the LECs. Each addition requires significant revisions to LEC price cap rate models and the Commission's Tariff Review Plan.

Further, the Commission has not presented any compelling reason to establish a new category for these services. In prior instances, where the Commission has applied new pricing limitations, it has provided a rationale --- based on factors such as the pricing history of the service, availability of alternatives and the identity of rate payers.<sup>4</sup> For example, in establishing new subindices for DS1 and DS3 services, the Commission noted that these services had a history of rate

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<sup>3</sup> See LEC Price Cap Order, CC Docket No. 87-313, 5 FCC Rcd 6786 (1990) at para. 198.

<sup>4</sup> See LEC Price Cap Reconsideration Order, CC Docket No. 87-313, 6 FCC Rcd 2637 (1991) at para. 157.

issues.<sup>5</sup> SNET joins USTA, in its Comments being filed today, in questioning whether such an analysis underlies the creation of a new service category.

Moreover, these services do not warrant a separate service category on the basis of their revenue weight. As shown in the attached SNET Traffic Sensitive Revenue Summary, these three (3) services combined account for less than 0.5% of SNET's total Traffic Sensitive Revenue.<sup>6</sup>

**2. As an alternative, the Commission should establish a new expanded Information Service Category to include these and other miscellaneous services.**

SNET currently includes Zero Minus Operator Transfer service in its Local Transport category and Busy Line Verification (BLV) and Busy Line Interrupt (BLI) in its Information category. Since Zero Minus Operator Transfer does not appear to logically fit in the Commission's new Local Transport categories (Dedicated Facilities, Common Facilities, or the Interconnection Charge), SNET proposes to move this rate element to the Information category. Further, SNET proposes that the Commission establish a new expanded version of the Information category to include these services as well as other future miscellaneous rate elements which do not fall logically into existing Traffic Sensitive service categories.

The Information category is appropriate for these rate elements, as well as miscellaneous new services, for the following reasons. Other Operator Service rate elements (specifically Directory Assistance) are already contained in this category. As Attachment A shows, for SNET, this category has a significantly lower percentage of Traffic Sensitive revenues than other Traffic Sensitive categories (e.g.,

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<sup>5</sup> Ibid. at para. 155.

<sup>6</sup> See Attachment A for an analysis of SNET's Traffic Sensitive Revenue Weightings by Rate element and Service Category.


Local Switching or Local Transport). As a result, these services will carry a larger revenue weight (and thus somewhat less pricing flexibility) within this category than in other existing Traffic Sensitive categories.

### **3. Conclusion**

For the reasons stated above, SNET suggests that the Commission modify its proposals in its NPRM and not establish a unique new service category for operator services. Further, SNET proposes that the Commission should establish a newly expanded Information category for these and other miscellaneous rate elements.

Respectfully submitted,

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**SUMMARY OF SNET TRAFFIC SENSITIVE REVENUE WEIGHTINGS  
(1992 Base Period)**

| <u>Revenue Element/Service<br/>Category</u> | <u>Revenue Amount*</u> | <u>% of Total Traffic<br/>Sensitive Revenue</u> |
|---|------------------------|---|
| Information                                 | \$ 9,027,220           | 5.48%   |
| Transport                                   | \$61,661,992           | 37.46%  |
| Local Switching                             | \$92,356,537           | 56.11%  |
| 800 Database                                | \$ 1,527,532           | .93%  |
| O- Transfer/ BLI/ BLV                       | \$ 26,473**            | .02%  |
| Total Basket                                | <u>\$164,573,282</u>   | <u>100.00%</u>                                  |

Source:

\* 1993 Tariff Review Plan, Form RTE-1, SNET Transmittal No. 567, filed June 16, 1993. 1992 Base Period Demand at May 1, 1993 rates.

\*\* SNET Transmittal No. 567, Workpaper SWS-4.